

██████████ prefers to have all mineral owners under lease when they drill, but they are able to drill without having 100% sign up, per MT state law. In the event that ██████████ decides to drill and not all parties are leased, those parties will be offered the opportunity to "participate" in the drilling. In that event, a given lessor may pay their share of the drilling costs as drilling proceeds, and afterwards may retain 100% of the revenue realized from the sale of oil produced. However, as wells targeting this formation (Red River) typically cost 3-5 million dollars to drill, most lessors prefer to let the drilling company take all the risk of drilling a dry hole, and accept a bonus payment and a royalty on production instead.

If, for example, you decided to participate in the drilling, and the well costs 5 million dollars, and is spaced for the exact 320 acre tract in question, you would be asked to pay a share of the drilling costs proportional to your interest here. To wit: with a 2.96875% interest, you would be asked to

pay some \$149,000 in drilling costs on a 5 million dollar well. If you can make the scheduled payments, that's great; you pay \$149K and if the oil flows you keep 100% of your 2.96875% of the oil produced, less your costs of transportation, production, etc. But you may end up paying \$149K and have nothing to show for it if it is a dry hole.

If you do not sign a lease and also refuse to participate, drilling may proceed, and your costs will be taken from production revenue. However, per MT law, you will also pay a 200% penalty for making the oil company cover your costs, and using this example would not see any revenue until your 2.968% share pays out approximately \$450K. Then it's all gravy for you after that. If however you sign a lease and ██████████ drills a dry hole, you are not obligated to pay anything; you keep the bonus payment.

OIL AND GAS DIVISION											
FY12 Budget vs. Expenditures											
FTE Obj	2011 Regulatory Budget	Expenditures % of Budget	2012 UIC Budget	Expenditures % of Budget	2027 Education Outreach	Expenditures % of Budget	2028 EPA CO2 Primary	Expenditures & of Budget	2013 TOTAL BUDGET	2013 TOTAL EXPENDS	Expenditures % of Budget
17.0			3.5						20.5		
(2,133)									(2,133)		
General PS									1,322,275	100,158	0.08
Salaries	74,308	0.09	185,181	19,042	0.14						
Other Comp	1,075,334	0.00	322	70	-						
Benefits			61,438	5,959							
Vacancy Savings			(9,894)						(9,894)	22,557	0.01
Contracted Svcs			66,135	3,327	0.05	1,500,000	24,752	0.017	62,545	8,427	0.09
Supplies	531,225	0.04	9,525	934	0.10				46,710	5,126	0.17
Communications	53,019	0.08	7,228	1,058	0.14				38,704	3,712	0.10
Travel	39,482	0.18	6,612	370	0.05				20,122	3,248	0.16
Rent	32,092	0.10	2,353	397	0.17				14,372	3,668	0.26
Utilities	17,769	0.25	2,464	639	0.26				12,618	3,562	0.28
Repair/Maint	11,808	0.30	2,896	641	0.22				45,766	225	0.00
Other Expenses	28,857	0.01	16,809	11	0.00				48,075	-	
Equipment	35,575	0.00	12,500	-							
Grants											
Total	1,832,850	0.08	363,650	32,428	0.09	1,500,000	24,752	0.017	250,000	5,394	0.05
FUNDING											
State Special	1,819,114	0.06	256,209	32,428	0.13	1,500,000	24,752	0.02	250,000	5,394	0.02
Federal			107,471	-					107,471		
Total Funds	1,819,114	144,705	363,650	32,428					3,946,530	207,279	0.05

FY 11 Carryforward	
Org 2021	
start balance	191,319

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT 9/1/12			
	FY13	FY12	Percentage FY13:FY12
Oil Production Tax	458,741	1,892,587	0.24
Gas Production Tax	39,890	233,675	0.17
Drilling Permit Fees	11,225	69,300	0.16
UIC Permit Fees	-	219,400	
Enhanced Recovery Filing Fee	-		
Interest on Investments	393	12,176	
Insurance Proceeds	-	1,160	
Accommodations Tax Rebate	-		
Copies of Documents	1,176	7,717	0.15
Miscellaneous Reimbursemts		246	
TOTALS	\$ 511,425	\$ 2,436,260	0.21

REVENUE INTO DAMAGE MITIGATION ACCOUNT as of 9/1/12	
	FY13
Transfer in from Orphan Share	0
RIT Interest	0
Bond Forfeitures	0
Reimburse for Fencing (Segelman)	
Interest on Investments	50
TOTAL	\$ 50

BOND FORFEITURES AS OF 9/1/12	
Go into Damage Mitigation Account	
Athena Energy LLC	52,642
TOTAL	52,642

REVENUE INTO GENERAL FUND FROM FINES as of 9/14/12	
	FY 13
ENCORE ENERGY PARTNERS OPERATING LLC	\$ 5,000.00
CCG LLC	70
LINN OPERATING INC	60
HAWLEY OIL LLP	500
GREY WOLF PRODUCTION COMPANY INC.	100
LONGSHOT OIL LLC	60
LINN OPERATING INC	60
HOFLAND JAMES D	400
IRGENS, MARIAN	70
GREY WOLF PRODUCTION COMPANY INC.	100
BRIGHT OIL & GAS LP	1,000
CABOT OIL & GAS CORPORATION	500
KNAUP HARRY & LUCILLE	70
QUINQUE OIL	80
FIDELITY EXPLORATION & PRODUCTION CO	1,000
RF PARSELL PARTNERSHIP	60
TOTAL	\$ 9,130.00

INVESTMENT ACCOUNT BALANCES 10/09/12	
Oil & Gas ERA	2,836,145
Damage Mitigation	421,021

GRANT BALANCES - 9/1/12

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>
2009 Northern	300,000	68,638	231,362
2009 Southern	300,000	0	300,000
2007 Tank Battery	304,847	208,461	96,386
2011 Southern - Tank Battery2	204,951	0	204,951
TOTALS	\$1,109,798	\$277,099	\$627,748

CONTRACT BALANCES - 9/1/12

2012 Teachers Workshop	43,000	38,744	4,256
EOR Study - MT Tech	179,091	80,931	98,160
Scope of Work - MT Tech	6,250	5,715	535
Automated Maintenance Services, Inc.	27,458	5,634	21,824
Agency Legal Services - Legal	60,000	2,576	57,424
Central Avenue Mall	400	400	0
Liquid Gold Well Service, Inc. - 09 Northern	200,000	68,638	131,362
Liquid Gold Well Service, Inc. - 09 Southern	165,000	0	165,000
C-Brewer - 07 & 11 Southern Tank Battery	424,650	208,461	216,189
TOTALS	1,105,849	411,099	694,750

Agency Legal Services Expenditures in FY13

Case	Amt Spent	Last Svc Date
BOGC Duties	2,576	8/12
Total	2,576	

Montana Board of Oil and Gas Conservation Summary of Bond Activity

8/7/2012 Through 10/9/2012

Approved

Antelope Resources, Inc. Billings MT	365 L2	Approved Amount: Purpose:	8/17/2012 \$4,500.00 Limited Bond
Certificate of Deposit	\$4,500.00 FIRST STATE BANK OF SHELBY		
Apache Western Exploration LLC Houston TX	711 M1	Approved Amount: Purpose:	10/9/2012 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00 Liberty Mutual Insurance Company		
Fusion Exploration LLC Newport Beach CA	724 G1	Approved Amount: Purpose:	8/15/2012 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00 Western Security Bank		
Greeheyco, Inc. San Antonio TX	722 M1	Approved Amount: Purpose:	8/9/2012 \$50,000.00 Multiple Well Bond
Certificate of Deposit	\$50,000.00 FIRST INTERSTATE BANK		
North Range Exploration, LLC Lake Placid NY	725 G1	Approved Amount: Purpose:	9/7/2012 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00 STOCKMAN BANK, BILLINGS		
NorthWestern Corporation Butte MT	369 T1	Approved Amount: Purpose:	10/9/2012 \$5,000.00 UIC Single Well Bond
Surety Bond	\$5,000.00 FIDELITY & DEPOSIT CO. OF MD		
Shadwell Resources Group, LLC Richmond TX	687 T3	Approved Amount: Purpose:	9/4/2012 \$10,000.00 UIC Single Well Bond
Certificate of Deposit	\$10,000.00 Wells Fargo Bank, NA		
Stealth Energy USA, Inc. Billings MT	574 M2	Approved Amount: Purpose:	9/13/2012 \$50,000.00 Single Well Bond
Certificate of Deposit	\$50,000.00 Wells Fargo Bank, NA		
Triangle USA Petroleum Corporation Denver CO	718 T1	Approved Amount: Purpose:	9/14/2012 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 U.S. Specialty Insurance Co.		
Unit Petroleum Company Tulsa OK	374 G3	Approved Amount: Purpose:	10/2/2012 \$10,000.00 Single Well Bond
Surety Bond	\$10,000.00 WESTCHESTER FIRE INSURANCE CO.		

Montana Board of Oil and Gas Conservation Summary of Bond Activity

8/7/2012 Through 10/9/2012

Approved

Vecta Oil & Gas, Ltd. Dallas TX	723 M1	Approved Amount: Purpose:	8/13/2012 \$50,000.00 Multiple Well Bond
Certificate of Deposit	\$50,000.00	FIRST INTERSTATE BANK	

Released

Constitution Gas Transport Co., Inc. Salt Lake City UT	152 G1	Released Amount: Purpose:	9/4/2012 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00	STOCKMAN BANK, MILES CITY	
Constitution Gas Transport Co., Inc. Salt Lake City UT	152 M1	Released Amount: Purpose:	9/4/2012 \$25,000.00 Multiple Well Bond
Certificate of Deposit	\$25,000.00	1ST SECURITY BANK & TRUST	
Constitution Gas Transport Co., Inc. Salt Lake City UT	152 G2	Released Amount: Purpose:	9/4/2012 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00	STOCKMAN BANK, MILES CITY	
Fort Worth Operating Company, LLC Fort Worth TX	619 G10	Released Amount: Purpose:	9/25/2012 \$1,500.00 Single Well Bond
Certificate of Deposit	\$1,500.00	FIRST INTERSTATE BANK	
Fort Worth Operating Company, LLC Fort Worth TX	619 G2	Released Amount: Purpose:	9/25/2012 \$1,500.00 Single Well Bond
Certificate of Deposit	\$1,500.00	FIRST INTERSTATE BANK	
Fort Worth Operating Company, LLC Fort Worth TX	619 G4	Released Amount: Purpose:	9/25/2012 \$1,500.00 Single Well Bond
Certificate of Deposit	\$1,500.00	FIRST INTERSTATE BANK	
Fort Worth Operating Company, LLC Fort Worth TX	619 G6	Released Amount: Purpose:	9/25/2012 \$1,500.00 Single Well Bond
Certificate of Deposit	\$1,500.00	FIRST INTERSTATE BANK	
Intermountain Leasing, Inc. Billings MT	318 G2	Released Amount: Purpose:	8/13/2012 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00	Western Security Bank	
Panther Creek Resources, LLC Denver CO	147 G1	Released Amount: Purpose:	9/6/2012 \$10,000.00 Single Well Bond
Certificate of Deposit	\$10,000.00	1ST INTERSTATE BANK WEST BLGS.	

Montana Board of Oil and Gas Conservation **Summary of Bond Activity**

8/7/2012 Through 10/9/2012

Released

Stealth Energy USA, Inc. Billings MT	574 M1	Released Amount: Purpose:	9/13/2012 \$50,000.00 Multiple Well Bond
Certificate of Deposit	\$50,000.00 Wells Fargo Bank, NA		
Summit Resources, Inc. Calgary AB	11 U1	Released Amount: Purpose:	10/9/2012 \$68,000.00 UIC Limited Bond
Surety Bond	\$68,000.00 RLI INSURANCE COMPANY		
Summit Resources, Inc. Calgary AB	11 M1	Released Amount: Purpose:	10/9/2012 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00 RLI INSURANCE COMPANY		
Suncor Energy (Natural Gas) America Inc. Wilmington DE	329 M2	Released Amount: Purpose:	9/6/2012 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00 TRAVELERS CASUALTY & SURETY CO. OF AMERICA		

ALL APPLICATIONS, 10/11/2012 (Final)

Docket	Applicant	Status	Request
490-2012	Brigham Oil & Gas LP	Continued	Spacing
491-2012	Brigham Oil & Gas LP	Continued	Pooling
492-2012	Brigham Oil & Gas LP	Continued	Well Density
493-2012	Brigham Oil & Gas LP		Spacing
494-2012	Brigham Oil & Gas LP		Pooling
495-2012	Brigham Oil & Gas LP	Continued	Vacate Field/Rule
495-2012	Brigham Oil & Gas LP	Continued	Well Density
496-2012	Brigham Oil & Gas LP		Spacing
497-2012	Brigham Oil & Gas LP	Continued	Pooling
498-2012	Brigham Oil & Gas LP	Continued	Well Density
499-2012	Anadarko Minerals, Inc.	Continued	Spacing
500-2012	Anadarko Minerals, Inc.	Continued	Pooling
501-2012	MCR, LLC		Delineation
502-2012	Chaco Energy Company	Continued	Pooling
503-2012	Sandhill Energy, LLC	Default	Class II Permit
504-2012	Energy Corporation of America	Default	Class II Permit
505-2012	Energy Corporation of America	Default	Class II Permit
506-2012	Whiting Oil and Gas Corporation		Spacing
507-2012	Whiting Oil and Gas Corporation		Spacing
508-2012	Whiting Oil and Gas Corporation		Spacing
509-2012	Fidelity Exploration & Production Co.		Spacing
510-2012	Fidelity Exploration & Production Co.		Pooling
511-2012	Fidelity Exploration & Production Co.		Well Density
512-2012	Fidelity Exploration & Production Co.	Default	Temp. Spacing
513-2012	Fidelity Exploration & Production Co.	Default	Temp. Spacing
514-2012	Fidelity Exploration & Production Co.	Default	Temp. Spacing
515-2012	Fidelity Exploration & Production Co.	Default	Temp. Spacing
516-2012	Fidelity Exploration & Production Co.		Spacing
517-2012	Fidelity Exploration & Production Co.		Well Density
518-2012	Oasis Petroleum, Inc.		Spacing
519-2012	Oasis Petroleum, Inc.		Pooling
520-2012	Oasis Petroleum, Inc.		Well Density
521-2012	Oasis Petroleum, Inc.		Spacing
522-2012	Oasis Petroleum, Inc.		Pooling
523-2012	Oasis Petroleum, Inc.		Well Density
524-2012	Oasis Petroleum, Inc.		Spacing
525-2012	Oasis Petroleum, Inc.		Pooling
526-2012	Oasis Petroleum, Inc.		Well Density
527-2012	Oasis Petroleum, Inc.		Spacing
528-2012	Oasis Petroleum, Inc.		Well Density
529-2012	Marathon Oil Corporation		Spacing
530-2012	Marathon Oil Corporation		Pooling
531-2012	Marathon Oil Corporation		Spacing

ALL APPLICATIONS, 10/11/2012 (Final)

532-2012	Marathon Oil Corporation		Pooling
533-2012	Marathon Oil Corporation		Spacing
534-2012	Marathon Oil Corporation		Pooling
535-2012	Marathon Oil Corporation	Continued	Spacing
536-2012	Marathon Oil Corporation	Continued	Spacing
537-2012	Marathon Oil Corporation	Continued	Spacing
538-2012	Marathon Oil Corporation	Continued	Pooling
539-2012	Cirque Resources LP	Default	Temp. Spacing
540-2012	Cirque Resources LP	Default	Temp. Spacing
541-2012	Cirque Resources LP	Default	Temp. Spacing
542-2012	Cirque Resources LP	Default	Temp. Spacing
543-2012	Cirque Resources LP	Default	Temp. Spacing
544-2012	Cirque Resources LP	Default	Temp. Spacing
545-2012	Cirque Resources LP	Default	Temp. Spacing
546-2012	EOG Resources, Inc.	Continued	Pooling
547-2012	EOG Resources, Inc.	Continued	Well Density
548-2012	EOG Resources, Inc.	Continued	Pooling
549-2012	EOG Resources, Inc.	Continued	Well Density
550-2012	Slawson Exploration Company Inc		Spacing
551-2012	Slawson Exploration Company Inc		Well Density
552-2012	Slawson Exploration Company Inc		Spacing
553-2012	Slawson Exploration Company Inc		Well Density
554-2012	Slawson Exploration Company Inc		Spacing
555-2012	Slawson Exploration Company Inc		Well Density
556-2012	Slawson Exploration Company Inc		Spacing
557-2012	Slawson Exploration Company Inc		Well Density
558-2012	Slawson Exploration Company Inc		Well Density
559-2012	Slawson Exploration Company Inc	Default	Well Density
560-2012	Slawson Exploration Company Inc	Default	Well Density
561-2012	Slawson Exploration Company Inc	Default	Well Density
562-2012	Slawson Exploration Company Inc	Default	Well Density
563-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
564-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
565-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
566-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
567-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
568-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
569-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
570-2012	Slawson Exploration Company Inc	Continued	Temp. Spacing
571-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
572-2012	Slawson Exploration Company Inc	Continued	Temp. Spacing
573-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
574-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
575-2012	Slawson Exploration Company Inc	Default	Temp. Spacing

ALL APPLICATIONS, 10/11/2012 (Final)

576-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
577-2012	Slawson Exploration Company Inc		Temp. Spacing
578-2012	Slawson Exploration Company Inc		Temp. Spacing
579-2012	Slawson Exploration Company Inc		Temp. Spacing
580-2012	Slawson Exploration Company Inc		Spacing Amendment
581-2012	Slawson Exploration Company Inc	Default	Spacing Amendment
582-2012	Slawson Exploration Company Inc	Default	Spacing Amendment
583-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
584-2012	Continental Resources Inc	Default	Temp. Spacing
585-2012	Continental Resources Inc	Default	Temp. Spacing
586-2012	Continental Resources Inc		Spacing
587-2012	Continental Resources Inc		Pooling
588-2012	Continental Resources Inc		Well Density
589-2012	Continental Resources Inc		Spacing
590-2012	Continental Resources Inc		Pooling
591-2012	Continental Resources Inc		Well Density
592-2012	Continental Resources Inc		Spacing
593-2012	Continental Resources Inc		Well Density
594-2012	Continental Resources Inc		Spacing
595-2012	Continental Resources Inc		Pooling
596-2012	Continental Resources Inc		Well Density
597-2012	Shale Bakken Investment Corporation	Default	Temp. Spacing
598-2012	Shale Bakken Investment Corporation		Temp. Spacing
599-2012	Shale Bakken Investment Corporation	Default	Temp. Spacing
600-2012	Shale Bakken Investment Corporation		Temp. Spacing
601-2012	Shale Bakken Investment Corporation	Default	Temp. Spacing
602-2012	Shale Bakken Investment Corporation		Temp. Spacing
603-2012	Shale Bakken Investment Corporation	Default	Temp. Spacing
604-2012	Shale Bakken Investment Corporation		Temp. Spacing
605-2012	Vecta Oil & Gas, Ltd.		Vacate Field/Rule
606-2012	Vess Oil Corporation	Continued	Spacing
607-2012	Samson Oil and Gas USA Montana, Inc.	Protested	Temp. Spacing
299-2011	Central Montana Resources, LLC	Continued	Spacing
112-2012	Central Montana Resources, LLC	Withdrawn	Vacate Field/Rule
113-2012	Central Montana Resources, LLC	Withdrawn	Spacing
114-2012	Central Montana Resources, LLC	Withdrawn	Pooling
152-2012	EOG Resources, Inc.	Continued	Spacing
155-2012	EOG Resources, Inc.	Continued	Spacing
156-2012	EOG Resources, Inc.	Continued	Spacing
272-2012	Cirque Resources LP		Pooling
275-2012	XTO Energy Inc.		Spacing
284-2012	XTO Energy Inc.		Well Density
356-2012	EOG Resources, Inc.	Continued	Spacing
376-2012	Slawson Exploration Company Inc	Default	Temp. Spacing

ALL APPLICATIONS, 10/11/2012 (Final)

379-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
380-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
382-2012	Slawson Exploration Company Inc		Spacing
383-2012	Slawson Exploration Company Inc		Pooling
388-2012	Slawson Exploration Company Inc	Default	Temp. Spacing
406-2012	Whiting Oil and Gas Corporation	Continued	Spacing Amendment
415-2012	Samson Resources Company	Continued	Spacing
416-2012	Samson Resources Company	Continued	Pooling
417-2012	Samson Resources Company	Continued	Spacing
418-2012	Samson Resources Company	Continued	Pooling
441-2012	Continental Resources Inc	Protested	Temp. Spacing
461-2012	Central Montana Resources, LLC	Default	Temp. Spacing
462-2012	Central Montana Resources, LLC	Default	Temp. Spacing
476-2012	Oasis Petroleum, Inc.	Continued	Pooling
608-2012	Anschutz Exploration Corporation	Dismissed	Show-Cause
609-2012	Native American Energy Group, Inc.		Show-Cause
610-2012	McOil Montana One LLC		Show-Cause
352-2012	G/S Producing, Inc.		Show-Cause